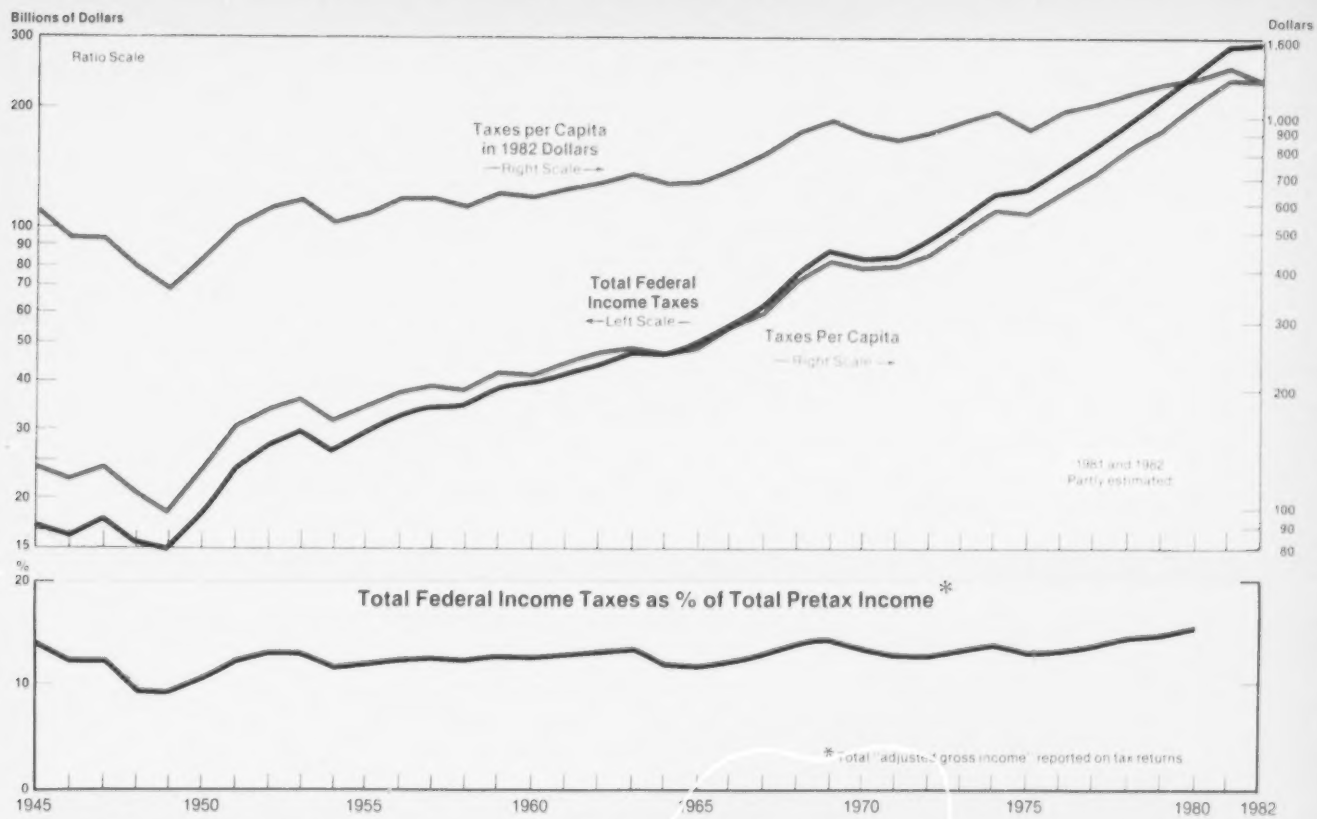
THE CONFERENCE BOARD

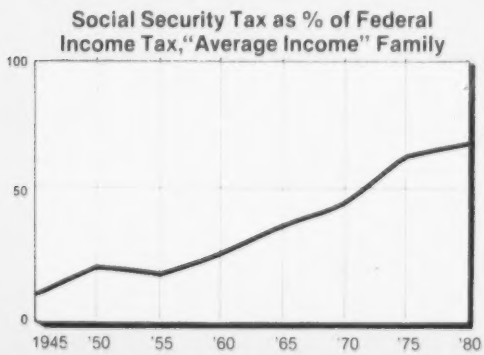
Federal Income Taxes

Economic Road Maps

No. 1949 April, 1983

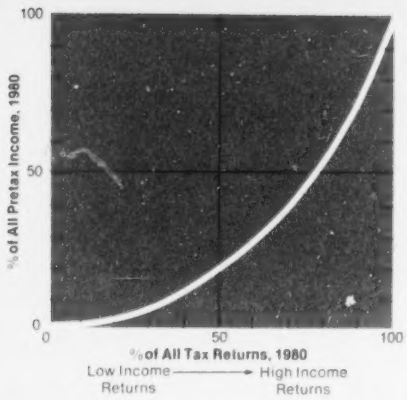
Total federal income taxes in 1982 were almost $300 billion, or about $1,260 for every person—adult and child—in the United States. Ten years earlier, total taxes were $94 billion, or about $446 per capita. The rise in total and per capita taxes partly reflects the inflation that has boosted incomes. To abstract from this, the chart below also shows per capita taxes in constant 1982 dollars. Not surprisingly, the uptrend is milder. Most of the rise in taxes over time has been paid out of rising incomes, so that the tax burden as a percent of overall income has not changed a great deal, although it did trend up in the late 1970's. Data for 1981 and 1982 are not yet available, but it is probable that the overall burden, which was 15.5% in 1980, rose a bit in 1981 and fell in 1982.

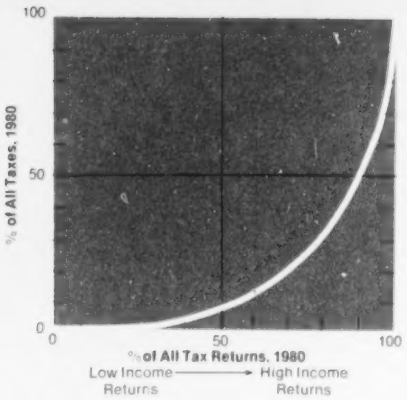

Billions of Dollars
Dollars
Ratio Scale
Taxes per Capita in 1982 Dollars —Right Scale—
Total Federal Income Taxes —Left Scale—
Taxes Per Capita —Right Scale—
1981 and 1982 Partly estimated
Total Federal Income Taxes as % of Total Pretax Income *
* Total "adjusted gross income" reported on tax returns
1945 1950 1955 1960 1965 1970 1975 1980 1982

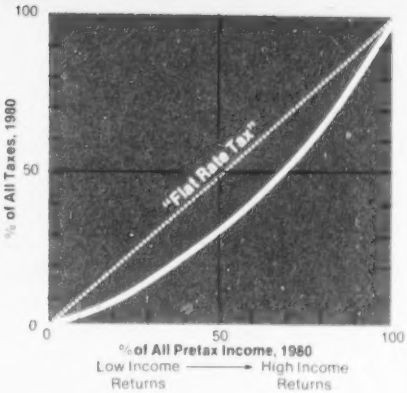


Tax bracket rates, paid on the highest segment of a taxpayer's income, have been reduced over the years. The 1983 rates are 50% in the top bracket and 11% in the first. Twenty years ago, they were 91% and 20%, respectively (page 2). The top bracket on "earned" income was limited to 60% in 1971, and subsequently to 50 percent. Other ways in which federal income taxes were cut over the years include increases in the standard deduction and in the personal exemption.

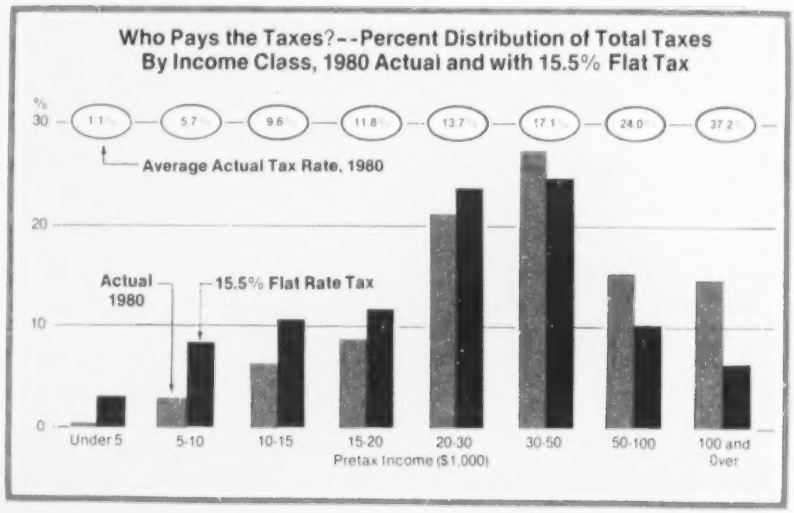
The chart at the lower right of page 2 shows the bracket rate each year for four-person, one-earner families at three assumed income levels. Although incomes have risen, the bracket rates for low- and median-income families have been fairly stable, thanks to tax cuts. However, "bracket creep" has been serious for high-income families.

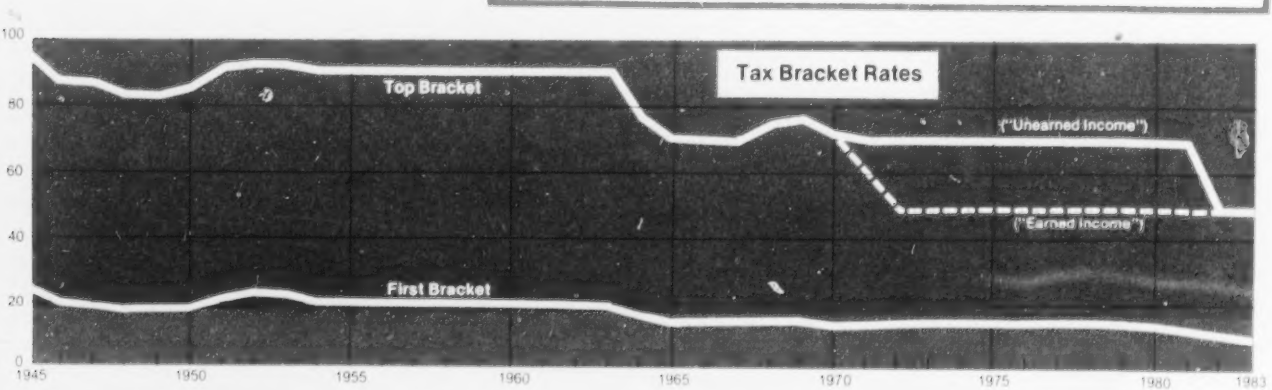






The charts at the top of the page show the inequality of incomes and the progressivity of the income tax. The lower 50% of all 1980 tax returns reported only 20% of total income and paid only 8% of total taxes; and the taxpayers reporting the lower 50% of total income paid only 30% of total taxes. There has been talk about a flat rate tax, directly proportional to income. Averaged over all returns, taxes were 15.5% of income in 1980; however, nearly 90% of all returns—those with incomes under about $35,000—had an average tax of less than 15.5 percent. Consequently, a simple flat tax (15.5%, no deductions) would have substantially redistributed the tax burden. As

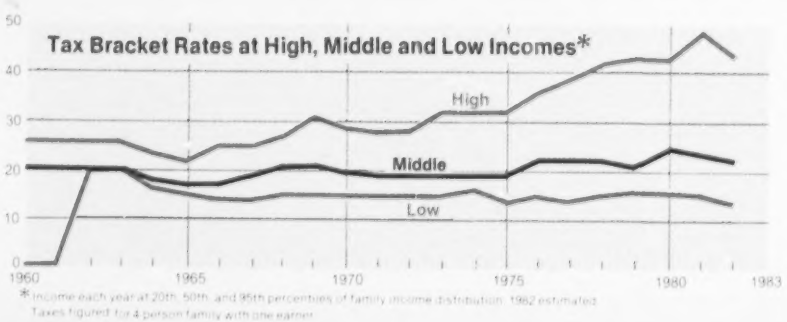




the middle right-hand chart shows, those with incomes over $30,000 paid almost 60% of total taxes in 1980, but at a flat 15.5% they would have paid only 42% of the total.

Lora S. Collins

Sources: Internal Revenue Service; Bureau of Economic Analysis; Census Bureau; Social Security Administration; The Conference Board.



ECONOMIC ROAD MAPS

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Prices for Quantities of this chart will be supplied on request to Information Service.

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